Sask - Corp Reports
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SaskCOMP

SASKATCHEWAN COMPUTER UTILITY CORPORATION

ANNUAL REPORT
1981

"Improved quality of service to our customers."

Table of Contents

	PAGE
LETTER OF TRANSMITTAL	1
BOARD OF DIRECTORS	2
HIGHLIGHTS	4
CORPORATE MANAGEMENT	5
GENERAL MANAGER'S REPORT	6
AUDITOR'S REPORT	9
STATEMENT OF FINANCIAL POSITION	10
STATEMENT OF OPERATIONS	11
STATEMENT OF RETAINED EARNINGS	12
STATEMENT OF CHANGES IN FINANCIAL POSITION	13
NOTES TO FINANCIAL STATEMENTS	14

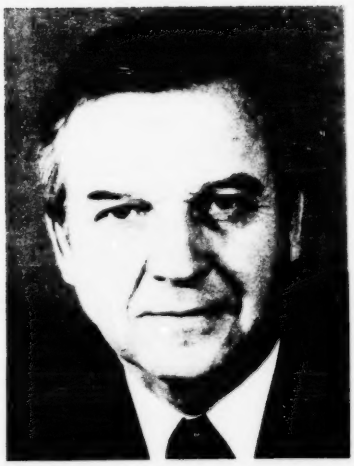
Letter of Transmittal

March, 1982
Regina, Saskatchewan

To His Honour
The Honourable C. Irwin McIntosh
Lieutenant Governor of the
Province of Saskatchewan

Sir:

I have the honour to submit herewith the annual report of the Saskatchewan Computer Utility Corporation for the year ending December 31, 1981, including the financial statements therefor duly certified by the Provincial Auditor and in the form approved by the Treasury Board, all in accordance with the Saskatchewan Computer Utility Corporation Act. I have the honour to be, Sir, your obedient servant.



M. J. Koskie
Minister-in-Charge
Saskatchewan Computer
Utility Corporation

Board of Directors

Hon. Murray J. Koskie,
Chairman,
Minister-in-Charge
Saskatchewan Computer
Utility Corporation

Hon. Ed. Tchorzewski,
Vice-Chairman,
Minister of
Finance, Province
of Saskatchewan

Cam. Blachford,*
Dean of
Graduate Studies,
University of
Regina

Tom Dagg,
Assistant
Executive Director,
Sask. Hospital
Services Plan

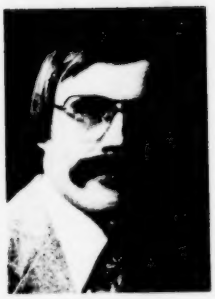
Ron. George,*□
Director, Academic
Computing Services,
University of
Calgary

□William Hill,
Partner,
Arscott, Hill & Matonovich,
Chartered Accountants

Board of Directors (Continued)

Laurie McFarlane,*†
Director, Budget Bureau,
Saskatchewan Department
of Finance

Arnold Nelson,
President,
Saskatchewan
Telecommunications



Ed. Waddington,□†
Vice-President and
Corporate Officer,
Crown Investments
Corporation

Carole Bryant,
Secretary to the
Board of Directors,
Crown Investments
Corporation

Committees of the Board

□ Compensation Review Committee
† Users' Advisory Committee
* New Members to the Board in 1981

Retiring from the Board of Directors in 1981:

Miklos Barabas,
Saskatchewan Power Corporation

Blaine Holmlund,
University of Saskatchewan

Gordon South,
Farmer,
Melfort, Saskatchewan

Robert Weese,
Saskatchewan Intergovernmental Affairs

Eric Harbottle,
Saskatchewan Department of
Co-operation and Co-operative Development

John Loewen,
Retired, School Teacher

Brian Tinker,
University of Saskatchewan

Highlights — 1981

- A 30.7% increase in revenue was realized with a corresponding increase of 31.2% in expenditures
- Regina Regional computing capacity was increased by 50% with the installation of an IBM 3081 computer
- Saskatoon Regional computing capacity was increased by 75% with the installation of an IBM 4341-II computer
- Microfilm (COM) equipment was upgraded at Regina Regional to make it the most modern and largest facility of its kind in Western Canada
- A Users' Advisory Committee was formed
- 80 educational microcomputers and 4 commercial mini-computers were delivered.

Corporate Management

Management Committee

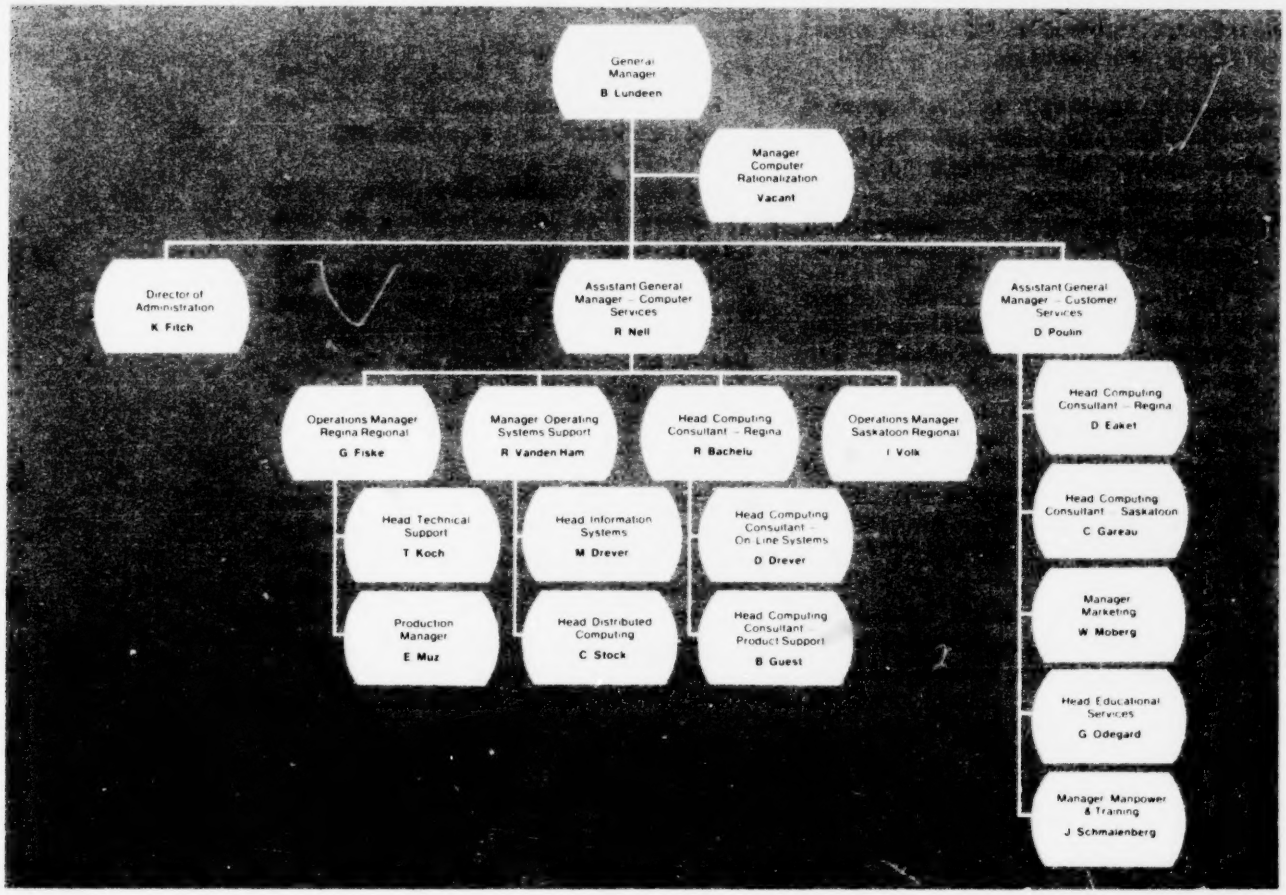
Bryce Lundeen
General Manager

Kent Fitch
Director of Administration

Robert Nell
Assistant General Manager — Computer Services

Dennis Poulin
Assistant General Manager — Customer Services

Management Organization



General Manager's Report

Since 1973, SaskComp has provided computer services to public and private agencies throughout the province, and rationalized computer equipment for agencies of the provincial government, by:

- operating large shared computers in Regina and Saskatoon,
- installing smaller computers on customers' premises,
- assisting customers to determine their computing needs and to select appropriate computing solutions,
- training customers in the use of an array of available services, and
- evaluating proposals for additional computer equipment.

1981 was another high growth year for SaskComp, and it is an honour to report our Corporation's activities.

As well as meeting the increased demand for services, other major accomplishments included:

- Increased Quality of Service to Our Customers

  This involved setting service targets for reliability and response, monitoring deviations from these targets, and taking corrective action as required. Increased quality resulted mainly from adopting improved operating techniques and installing backup for vital components of the computer systems.

- Enhanced Services

  Enhancements include educational computer services for schools, computer communications network management, production control and network control services at our Regional Centres, and more comprehensive marketing services.

- Formation of a SaskComp Users' Advisory Committee

  This is a high level committee comprised of senior customer officials to provide input to and evaluation of SaskComp's operating strategies. Matters such as computer security, training, distributed processing, and computer networks are topics for early attention.

- Attainment of our Financial Target

  The overall growth in revenue, and therefore computer services was 30.7%. Expenditures increased by 31.2%. The net income for 1981 was $558,000.

The future for SaskComp continues to be bright. Planning techniques for forecasting computing needs are in place. Plans are underway to resolve service outages due to electrical power problems. New offices and a processing centre in Regina are being planned. The Manpower and Training Program is underway and Application Services is now well established.

Cost of computing continues to come under close scrutiny by customers and corporate management. Forces from reduced equipment costs and increased labour costs are evident. To assist in achieving good performance, SaskComp has:

General Manager's Report (Continued)

- Adopted a policy of stabilizing rates by announcing projected rates for budget purposes and attempting, as much as practical, to maintain these rates throughout the operating period of customers.
- Commissioned a study to determine the degree of competitiveness of SaskComp rates relative to other major Canadian data servicers, and the degree of equity of distributing the costs of computing to customers. The results are expected early in 1982.

On behalf of the management team of SaskComp, I would like to thank all the members of our staff and Board of Directors for their ongoing effort and support. During 1981, seven Board members retired, and three new members were appointed.

Operations Review

- Computer usage at our Regional Centres increased by 28.4% (based on revenue). This growth rate was handled without sacrificing the quality of service. Response time goals were achieved, and systems outages were lessened over 1980. Plans are well underway to overcoming difficulties preventing higher reliability.
- The installation of an IBM 3081 computer at the Regina Regional Computing Centre, which replaced the 370/168 and 3033, and thereby increased the capacity of the centre by 50%. The year-end equipment configuration included an IBM 3032 and an IBM 3081.
- The installation of an IBM 4341-II computer at our Saskatoon Regional Computing Centre, which replaced the 370/158, and thereby increased the capacity of the centre by 75%. The year-end equipment configuration included an IBM 4341-II for regular batch and online (MVS) services, an IBM 4341-I for personal timesharing service, and an HP3000 for commercial timesharing service.
- Online transactions at the Regional Centres have increased by 77% over 1980, bringing the monthly average transaction rate to approximately three million.
- Attainment of our service response target and near attainment of our reliability target of 98% availability. The new power supply equipment is expected to result in our target attainment.
- The installation of two Bell & Howell 3900 minicomputer-based computer output to microfilm (COM) processors. Microfiche production has increased 72% over 1980, bringing the regular monthly average production rate to 29,000. The use of microfilm has decreased by 37%, resulting in an overall-increase in COM business of 28%.
- 2,200 man days of application services, which is an increase of 85% over 1980.

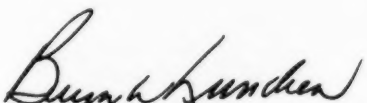
General Manager's Report (Continued)

- 743 student days training, which is an increase of 121% over 1980.
- The installation of four HP250 minicomputers on customer premises.
- The installation or trial of productivity aids software, such as MANTIS, ADABAS, MAPPER, ACT/1 and DMS.
- Direct access storage increased 43% on disk and 50% on mass storage at our Regional Centres, bringing the online file storage capacity to 42 billion bytes on disk and 34 billion bytes on mass storage at our Regional Centres.
- An 18% increase in the number of magnetic tapes, bringing the total to 33,000 at our Regional Centres.
- A 44% increase in interactive terminals connected to our Regional Centres, which brings the total to 858.
- A 16% increase in RJE terminals connected to our Regional Centres, which brings the total to 93.
- The commencement of security reviews for customers.
- The commencement of our Educational Services Division in Saskatoon, which services and supplies microcomputers to schools throughout the province. This service is unique to the educational community in that educational related software is gathered, evaluated and supplied to schools in order to assist them to make maximum use of their computers. As well, an effective relationship has been formed with the Saskatchewan Teachers Federation to facilitate computing seminars for educators. Direct participation in the Minnesota Educational Computing Consortium (one of the foremost educational computer activities in North America) has been arranged. This division supplied 80 microcomputers to schools in 1981, which is a 220% increase over 1980.

Financial Highlights

The net income for 1981 is $558,000, resulting from revenues of $16,748,000 and expenditures of $16,190,000. The return on capital employed is 17.2%. This represents a 30.7% increase in revenue and 31.2% increase in expenditures over 1980.

The number of persons employed increased from 149 to 156 in 1981. This represents a 5% increase. Revenue per employee increased from $86,000 to $107,000 in 1981 or 24%. This is one of the highest productivity rates in the industry.



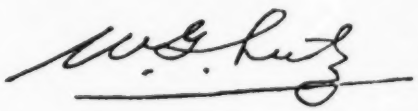
B. A. Lundeen
General Manager

Auditor's Report

To the Members of the Legislative Assembly
Province of Saskatchewan

I have examined the statement of financial position of the Saskatchewan Computer Utility Corporation as at December 31, 1981 and the statements of operations, retained earnings and changes in financial position for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Saskatchewan Computer Utility Corporation as at December 31, 1981 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.



Regina, Saskatchewan,
February 24, 1982.

W. G. Lutz, F.C.A.,
Provincial Auditor.

Saskatchewan Computer Utility Corporation

Statement of Financial Position
As at December 31

Statement 1

	1981	1980
	(Thousands of dollars)	
Assets		
Current Assets:		
Cash	$ 1,464	$ 691
Accounts receivable	3,447	2,804
Prepayments and supplies	213	148
	5,124	3,643
Net investment in leases receivable (Note 6)	716	1,051
Fixed assets (Note 3)	3,937	3,856
	$ 9,777	$ 8,550
Liabilities and Province's Equity		
Current Liabilities:		
Accounts payable and accrued liabilities	$ 1,074	$ 456
Unearned revenue	—	12
Current portion of long-term debt	1,330	936
Dividends payable	558	471
	2,962	1,875
Long-term debt (Note 4)	4,011	3,871
	6,973	5,746
Province of Saskatchewan's Equity		
Advances (Note 5)	2,780	2,780
Retained earnings	24	24
	2,804	2,804
	$ 9,777	$ 8,550

(See accompanying notes)

Saskatchewan Computer Utility Corporation

Statement of Operations
For the Year Ended December 31

Statement 2

	1981	1980
	(Thousands of dollars)	
Revenue:		
Sales of products and services	**$ 16,152**	$ 12,510
Other (Note 8)	**596**	304
	16,748	12,814
Expenses:		
Operating costs other than those listed below	**8,083**	6,445
Rental of Equipment	**4,875**	3,542
Depreciation and Amortization (Note 3)	**2,617**	1,885
Interest	**615**	471
	16,190	12,343
Net Earnings	**$ 558**	$ 471

(See accompanying notes)

Saskatchewan Computer Utility Corporation

Statement of Retained Earnings
For the Year Ended December 31

Statement 3

	1981	1980
	(Thousands of dollars)	
Retained earnings, beginning of year	**$ 24**	$ 24
Net earnings	**558**	471
	582	495
Dividends — Crown Investments Corporation of Saskatchewan	**(558)**	(471)
Retained earnings, end of year	**$ 24**	$ 24

(See accompanying notes)

Saskatchewan Computer Utility Corporation

Statement of Changes in Financial Position
For the Year Ended December 31

Statement 4

	1981	1980
	(Thousands of dollars)	
Source of Funds:		
From Operations		
Net earnings from operations	**$ 558**	$ 471
Items not affecting working capital	**2,498**	1,852
	3,056	2,323
Proceeds from issue of long-term debt	**1,575**	1,232
Collections and change in current portion of leases receivable	**435**	918
Proceeds from sale of fixed assets	**592**	160
	5,658	4,633
Application of Funds:		
Acquisition of fixed assets	**3,171**	1,566
Investments in leases receivable	**100**	653
Reduction of capital lease obligation	**105**	164
Reduction of other long-term debt	**1,330**	936
Dividends — Crown Investments Corporation of Saskatchewan	**558**	471
	5,264	3,790
Increase in working capital	**394**	843
Working capital, January 1	**1,768**	925
Working capital, December 31	**$ 2,162**	$ 1,768

(See accompanying notes)

Saskatchewan Computer Utility Corporation

Notes to Financial Statements
December 31, 1981

1. **Significant Accounting Policies**

Depreciation of Fixed Assets

Fixed assets are depreciated without residual value as follows:

Computer Equipment — equipment and associated software costs — straight line — three to seven years
Office Furniture and Equipment — straight line over ten years
Leasehold Improvements — straight line over expected term of occupancy

Leases

Leases are classified as operating or capital leases. For capital leases the Corporation, as lessee, records the asset value and related obligation at the present value of the future minimum lease payments. As lessor, the Corporation records the proceeds of asset disposals and related net investment in leases receivable at the present value of the future minimum lease receipts. All other leases continue to be considered as operating leases and are recognized in the accounts in accordance with the terms of the lease agreements.

2. **Status of Corporation**

The Saskatchewan Computer Utility Corporation was established in 1973 under The Saskatchewan Computer Utility Corporation Act to provide computer and data processing services to the Government of Saskatchewan and others.

The Corporation has been designated by order-in-council as a corporation to which the provisions of Part II of The Crown Corporations Act apply. Accordingly the financial results of the Corporation are included in the consolidated financial statements of the Crown Investments Corporation of Saskatchewan.

3. **Fixed Assets**

	Cost	Accumulated Depreciation and Amortization	1981 Net Book Value	1980 Net Book Value
		(Thousands of dollars)		
Computer Equipment	$ 6,506	$ 3,750	$ 2,756	$ 2,637
Office Furniture and Equipment	429	159	270	300
Leasehold Improvements	1,602	691	911	919
	$ 8,537	$ 4,600	$ 3,937	$ 3,856

Included in 1981 depreciation expense of $2,617,000 is an adjustment of $426,649 resulting from the recognition of a reduction in the estimated useful life of certain computer equipment.

4. Long-Term Debt

Due to the Crown Investments Corporation of Saskatchewan:

	Interest Rate Per Annum	Annual Instalments	1981	1980
	%		(Thousands of dollars)	
5 Year Loan to October 1, 1983	9.43	$ 540	$ 1,080	$ 1,620
4 Year Loan to October 11, 1983	13.00	150	300	450
4 Year Loan to December 28, 1983	13.00	—	1,400	1,400
5 Year Loan to December 31, 1985	13.25	246	986	1,232
4 Year Loan to December 20, 1985	Prime related-floating	394	1,575	—
		$ 1,330	5,341	4,702
Less instalments due in the next year			(1,330)	(936)
			4,011	3,766
Plus long-term obligation under capital lease			—	105
Long-term debt			$ 4,011	$ 3,871

5. Advances

These advances are non-interest bearing and are repayable to the Crown Investments Corporation of Saskatchewan at its discretion.

6. Leases

The following capital leases are recorded in the records:

a) The Corporation as lessor

The net investment in leases receivable is computed as follows:

	1981	1980
Future minimum lease payments receivable:	(Thousands of dollars)	
1981	$ —	$ 896
1982	713	626
1983	445	334
1984	315	228
1985	80	33
Total future minimum lease payments receivable	1,553	2,117
Less unearned finance income	272	352
Present value of future minimum lease payments receivable	1,281	1,765
Less amount due in the next year, included in accounts receivable	565	714
Net investment in leases receivable	$ 716	$ 1,051

b) The Corporation as lessee

Included in the net investment in leases receivable is one asset for which the corporation is also a lessee. The obligation under this capital lease is computed as follows:

	1981	1980
	(Thousands of dollars)	
Future minimum lease payment payable:		
1981	$ —	$ 142
1982	109	106
Total future minimum lease payments payable	109	248
Less imputed interest at 5% per annum	2	10
Present value of minimum lease payments payable	107	238
Less amounts due in the next year, included in accounts payable	107	133
Obligation under capital lease	$ —	$ 105

Included in interest expense is the amount of $8,410 (1980 — $17,956) representing interest on this obligation.

7. **Commitments**

At December 31, 1981 the corporation had the following commitments:

(a) Leased Premises

The Corporation is committed to lease agreements for office and operating premises for the 1982 fiscal year in the amount of $483,000.

(b) Leased Equipment

The Corporation is committed to operating lease agreements for computer equipment and communications equipment for the 1982 fiscal year in the amount of $5,949,000.

8. **Other Revenue**

Revenue includes earned finance income of $190,697 (1980 — $206,294) and investment income of $171,491 (1980 — $59,243).

9. **Remuneration of Directors and Senior Officers**

The Corporation's nine directors (1980 — thirteen) received $1,300 (1980 — $2,600) from Saskatchewan Computer Utility Corporation as directors in 1981. The four senior officers (1980 — six) received, in aggregate, $193,785 (1980 — $236,842) in salaries for 1981.

10. **Related Party Transactions**

Included in these financial statements are income and expense amounts resulting from routine operating transactions conducted at prevailing market prices with various Saskatchewan Crown controlled departments, agencies and corporations with which the corporation is related.

Account balances resulting from these transactions are included in the statement of financial position and are settled on normal trade terms.

Other amounts due to and from related parties and the terms of settlement are described separately in the financial statements and the notes thereto.

11. **Comparative Figures**

Certain of the 1980 comparative figures have been reclassified in order to conform with the current year's presentation.